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MANAGEMENT MODELS APPLIED TO THE LOCAL PUBLIC FINANCE: EVIDENCE FROM ITALY

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ABSTRACT

In the past, as in the weak international economic situation, the Regional Financial Institutions may be considered an important public tool to support the local public finance. The objective of this paper is to revisit the business model of the Regional Financial Institution through the presentation of the Italian case study and the comparative analysis of the related sector.

The research has revealed a potentially strategic sector in the current economic time, but characterized by the presence of actors with multiple elements of heterogeneity (in terms of, for example, mission, governance, nature of the service provided, etc.): the most important objective of this contribute is to propose - through a comparative analysis of the underlying referential sector - a review of the Regional Financial Institution's business model.

KEY WORDS

Financial Accounting, Local Financial Policies, Regional Financial Institutions, Strategic Localism, Italian Case Study.

INTRODUCTION

During the recent years Regional Financial Institutions have historically had the role of “operational hand” of Regions, in particular in the management of assigned regional initiatives, through the distribution of contributes, loans or financial aids taking on regional funds: these organizations have increasingly launched relevant initiatives in support of the risk capital: these initiatives derive from the will of amending the issues caused by financing constraints that firms, especially small and innovative enterprises, have to face day by day.

The activities performed by Regional Financial Institutions at present, therefore, point out a dual specificity of the service supplied, meanwhile turns out to be characterized both by a traditional financial background (referable to the consolidated offer of financial services for the start-up and development of enterprises), and by a new dimension of support to enterprise innovation operated in a local and international perspective, characterized by a new series of services steered towards the promotion, innovation sustainment and enterprise competitiveness (it is possible to consider it as part of this typology of services, for example, the implementation of regional plans for competitiveness, the creation of front-desks intended to promote innovation, the

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development of poles of innovation, the creation of enterprise incubators, the management of technological, scientific environment parks etc.).

This contribution, substantially, has its goal in the analysis of the Regional Financial Institution, from the following point of view: 1. Regional Financial Institution studied following a Business Economic approach; 2. Legal profile applicable to the Regional Financial Institution: an attempt to outline the organisation; 3. Governance and transparency of the Regional Financial Institution: an empirical analysis of the Italian sector; Discussion and Conclusions.

1. REGIONAL FINANCIAL INSTITUTION STUDIED FOLLOWING A BUSINESS ECONOMIC APPROACH

The idea of enterprise has been variously defined over the Business Administration (also so-called Business Economics) studies, so to point out, time after time, the economical, patrimonial and financial proportions, the organizational trends, the operative co-ordinations and the institutional character.

The company and its life are the fundamental topics for the Business Administration studies: the companies, which are considered long-term institutions, have as objective the direct or indirect satisfaction of human needs, so distinguishing themselves in supplying companies and production companies, these two aspects coexist in the mixed companies (Ferrero, 1968). According to the traditional “*zappiana statement*”, the Business Administration studies “(...) *the conditions of the existence and expression of the life of the company* (...)” (Coda, 1985), that make the company a non-contingent entity but “*established to last*”. The companies are the instrument through which we operate in the economic field, consequently they reflect the expression of the economic activity aimed to satisfy “*needs*” that require, in conditions of “*limited tools*”, “*economic goods*” in a systematic “*create and consume*” process (Onida, 1947).

The above mentioned definition of company is the classic definition in the Business Administration that, with reference to the object of the activity – represented by the general goal necessary for the satisfaction of human needs – distinguishes a company according to the following classification: a) production companies for the exchange market (or enterprises); b) supplying companies (or consumer companies).

The scope of production companies is to create richness or to achieve a profit to destine, subsequently, to the fulfilment of distribution needs.

The aim of supplying companies, on the contrary, is to provide for the fulfilment of those needs, either through distribution or through consume expenditure: they gain their denomination from the money expenditure phase or from the distribution of profits or incomes that usually precede the consume phase (Zappa *et al.*, 1949).

In order to complete the sentence above, we point out the evolution of the idea of company, promoted by the recent documents edited by the “*Società italiana dei Docenti di Regioneria ed Economia Aziendale (SIDREA) - Italian Society of Teachers of Accounting and Business Administration*”, in which we identify a company body to be intended – always and in any case – as a “*production fact*” (Coda, 2006). Both the consumer companies and the enterprises carry out the economic activities of “*consuming and creation*”, acquisition, maintenance and distribution of services and goods under limited resources conditions.

In the economic system, exchange relationship between the two indicated company categories are established in the “*remuneration process*” of the production factors

employed, factors that are usually made available by the consumer companies in terms of work and savings, and in terms of offer for market exchange of goods and services by the enterprises: in this system the mutual flow of “*real*” exchanges of goods and services, made possible by the use of money as mean of compensation, are highlighted. The distinction between consumer companies and enterprises is used as a theoretical referential model, as the consumer production, acquisition, maintenance processes are common to all companies and “*pure*” consumer companies or “*pure*” enterprises do not exist. The enterprises, for example, add to the market commercial exchanges, incidental allocations and liberalities on social, aid and cultural promotion basis for employees, partners, clients, suppliers and other subjects more or less involved in management.

The consumer companies, on their side, often perform, apart from their specific allocations, commercial activities in terms of market exchange, transferring, under compensation, goods and services to be used for financial gatherings to be addressed in the institutional activities.

In the end and after considering the objective characteristics of companies, it is possible to outline a third category, that enrolls combined (mixed) companies in which both the specific activities of consumer companies and enterprises coexist.

Business Administration individuates, besides, according to the distinctive characteristics of their subject, the category of public companies in antithesis, on a social-economic basis, with private companies. This distinction between public and private companies is based on two fundamental criteria (Puddu, 2001): the economic and legal criteria.

The economic criterion analyses the nature of the economic subject represented by people, that is those people who “(...) *hold and exercise the wilful power and connected prerogative and right to choose and decide about the management of the company* (...)” (Catturi, 1968). The legal criterion, instead, classifies the company on the basis of the private – or public – nature of the main shareholder, the subject who has control over the governance of the company:

- the public enterprise is under a public control;
- the private enterprise has its governance controlled by a private subject.

As already mentioned, the real economic system has to be intended as “*mixed*” since neither the “collective” nor the “market” form can be considered as “*pure*” models. Compared to the described model based on two sectors – public and private sectors – it can be observed that a “*third sector*” is identifiable formed by “(...) *bodies not ascribable to the State, as they originate from private initiative and operate with resources and in the interest of privates; not ascribable either to enterprises as they do not operate according to the logic of exchanges for profit* (...)” (Capaldo, 1996). The economic-corporate nature of the “*Third sector*” can be better interpreted through a joint analysis of the principles for company classification with reference to their objective and subjective characteristics.

The simultaneous classification of the companies considered both from the actual objective economic activity performed, consumer items or production, and from the subjective classification as public or private, allows – in the end – to synthesize the following “*objective-subjective*” theoretic configurations.

The model identifies the following four “*objective-subjective*” company configurations (Puddu, 2001; Anselmi, 1996):

- *Public Administrations*, consumer companies with no profit making or distributing goals, whose governance control is performed by public juridical subjects (i.e. Regions, Public Universities, Local Municipalities, etc.);

- *Public Enterprises*, companies that operate for the general market, which are basically public even if legally they are structured as business companies (i.e. Consip S.p.A., Sogei S.p.A.: in these Italian cases the main shareholder is the Ministry of Economy and Treasury);
- *Private Enterprises*, companies that produce goods for market exchange, with profit making and earn sharing goals, legally based on private assets (i.e. companies quoted at the stock exchange whose governance control is performed by private juridical subjects: these enterprises are also called “*public companies*” in the Anglo-Saxon model of Business Economics);
- *Not-for-profit Organizations*, consumer companies with no profit making or distributing goals, whose governance control is performed by private juridical subjects [i.e. Non-Governmental Organizations (NGOs), Non-Profit Organizations (NPOs), etc.].

The Regional Financial Institutions, analyzed in this study, can be placed in the second theoretic configuration “*objective-subjective*”, regarding the *Public Enterprises*, because they “(...) *are technical subjects which support and assist the Regions in the planning, definition and implementation of the local financial policies regarding the economic, entrepreneurial and occupational regional systems. They are usually structured as limited companies, partially or totally publicly owned (...)*” (Rosselli Foundation, 2010; Devescovi, 1984).

This option is strengthened in the legal outlining of the subject that – from this point of view – can be defined as “(...) *a financial tool having public targets operating with private techniques (...)*” (Mauro, 1980) or rather “(...) *tools for the implementation of the regional economic planning (...)*” (Predieri, 1972).

Starting from the 1950s the Italian legislator has tried to define and limit – directly or indirectly – the contest of the Regional Financial Institutions, previously outlined following a Business Administration approach, issuing a series of laws and rules that are analyzed in the following paragraph.

2. LEGAL PROFILE APPLICABLE TO THE REGIONAL FINANCIAL INSTITUTIONS: AN ATTEMPT TO OUTLINE THE ORGANIZATION

The first legal source that expressly tries to outline the Regional Financial Institution is the art. 154 of the Decree of the President of the Republic, dated 20 January 1958, no. 645, concerning the new “*Corporation Tax: a tax reduction for the Financial Companies*” (Miscia, 2010).

The above mentioned regulation provides for tax reduction for those companies that:

- a) buy shares in other companies or institutions, carry out funding or financial and technical coordination of the companies in which they participated, perform buying and selling, ownership and the management and placement of public and private bonds;
- b) do not perform activities other than those listed in a);
- c) own shares or financial interests in limited companies for an amount resulting in accordance to the balance sheet to be not lower than the 60% of the total assets listed in the balance sheet itself;
- d) list in the balance sheet the assets owned;
- e) are enrolled in the specific register of the banking companies monitoring commission.

Subsequently, among the Italian regulations that try to define – directly or indirectly – the legal profile of the Regional Financial Institutions, now it is possible to list the

following main laws (Miscia, 2010): Law no. 281/1970, Law no. 317/1991, Legislative Decree no. 385/1993 (regarding the “*consolidation act of the banking and financing regulations*”), Constitutional Law no. 3/2001 (having as object the reform of Title V of the Italian Constitutional Chart) and the Law Decree no. 223/2006, converted in the Law no. 248/2006. These new laws are hereinafter commented.

Article 10 the Law no. 281/1970, bearing “*Financial measures for the establishment of Regions with Ordinary Statute*”, expressly foresaw the faculty for the Regions to take out loans and issue bonds also to participate in Regional Financial Institutions, while the Law no. 317/1991, regarding the “*Actions for the innovation and development of small enterprises*” – in order to benefit from the facilitations provided by the same law – imposed (ref.: Articles 2 and 4) on the innovation and development financial companies, including the Regional Financial Institutions, to be drafted as joint-stock companies and introduced the possibility for the Central Administration and the Regions to cooperate (through their referential financing enterprises) in the subsequent supervision of contribution distribution: the same Law introduces the opportunity for the Regions, also through the Regional Financial Institutions to pay contributions to the Cooperative Risk Fund of the consortia for the collective credit assurance (ref.: Article 32).

Specific reference to the Regional Financial Institutions can be found in the “*Consolidated Law on Banking*” (ref.: Legislative Decree no. 385/1993) that identifies – under the Title V – the subjects that operate in the financial field providing, for the purpose, a general list (ref.: Article 106) and a special list (ref.: Article 107) of operators: Article 155 of the mentioned decree foresees, actually, the application of Article 107 also for the innovation and development financial enterprises, including the Regional Financial Institutions (this has been provided for by Article 2 of the Law 5 October 1991, no. 317, previously mentioned).

The review of the regional economic development tools – in which Regional Financial Institutions play a significant role, following the reform of Title V of the Italian Constitutional Chart (ref.: Article 1, Constitutional Law no. 3/2001) – precedes the reorganization of these institutions, achieved in the EU (European Union) Area and oriented to a renewed normative vision (Chiappetta, 2006):

This reform process – starting from the need to enact new rules to safeguard competition in the market – has come to find new principles, identifying, among other things, the company completely owned by the public subject, that in Anglo-Saxon model is defined as a “*in-house*” company, one of the organizational models used for the direct management of public services (Finpiemonte, 2011).

This reform process, concerning the Regional Financial Institutions, has been implemented by the following laws:

- the Law Decree no. 223/2006 (converted in the Law no. 248/2006),
- and the Law 27 December 2006, no. 296 (law concerning the Italian State Budget for the fiscal year 2007).

The above-mentioned reorganizational process of the Regional Financial Institutions has brought, during the last years, a profound change in the referential domestic sector.

An empirical analysis applied to the Italian sector is presented in the next paragraph concerning the following issue: “*Governance and transparency of the Regional Financial Institution: an empirical analysis of the Italian sector*”.

3. GOVERNANCE AND TRANSPARENCY OF THE REGIONAL FINANCIAL INSTITUTION: AN EMPIRICAL ANALYSIS OF THE ITALIAN SECTOR

The declination of the Italian sector of the Regional Financial Institutions, has followed a clear methodological approach, in which the start was its first issue, the definition of the sampling methodology to be followed.

The way chosen was – finally – a holistic approach in the definition of the sampling methodology (Patton, 1990; Taylor *et al.*, 1998), associated with the “*Grounded Theory*” (Glaser Barney *et al.*, 1967; Martin *et al.*, 1986), in which the sample data – at the end of the survey – tend to coincide with those of the entire universe of reference: the date of the survey was on 31 December 2010.

The census of the Italian sector of the Regional Financial Institutions, which resulted in 19 units (see Table 1), was characterized by the following methodological path. The first step involved the detection of the entities surveyed in the government portal www.impresa.gov.it, which resulted in 13 subjects.

The Italian portal www.impresa.gov.it was created to offer services to the Italian business sector, originated from a project that has involved the entire public administration: the objective of the project was to make it easier and more effective relations between public administration and the production system.

The project resulted from collaboration between the *National Centre for Information Technology in Public Administration* (CNIPA) [now renamed in *DigitPA*, through the application of the Legislative Decree 1 December 2009, no. 177 (concerning the “*Reorganization of the National Centre for Computing in Public Administration*”), in accordance with the Law 18 June 2009, no. 69 (Article 24)] and *Unioncamere* [that is a public subject introduced by Law no. 580/1993 (Article 7), regarding the reorganization of the Chambers of Commerce, Industry, Agriculture and Handicraft, as amended by the Legislative Decree 15 February 2010, no. 23].

It is important to note that even within this first layer of entities detected, there is strong heterogeneity: this situation is a consequence of the different processes of corporate reorganization resulting from the numerous legislative reforms adopted in recent years (previously recognized). This situation implies that the continuity and the comparability principles cannot be met: also the presence of deep operational and statutory changes to limit the meaning of the analysis leads to the financial statements of these companies (Giorgino, 2010). These observations lead us to consider non-significant analyzes of financial statements of the entities surveyed and therefore this analysis will not be considered in this study.

Carrying on with in the definition of the referential sector, the next step added three newly created entities to the first group of identified subjects (the first part of the survey has recorded 13 subjects, as previously noted): these entities are the result of the new regulations’ requirements mentioned above. They can be classified as regional “*in-house*” companies, acquired from peripheral units disposed by *Sviluppo Italy S.p.A.* (note: S.p.A. – Società per Azioni – in English language is translated as: limited company, or joint-stock company).

These new subjects are *Sviluppo Basilicata S.p.A.* (Basilicata Region), *InnovaPuglia S.p.A.* (Puglia Region) and *Sviluppo Sicilia S.p.A.* (Sicily Region):

- The first company is *Sviluppo Basilicata S.p.A.* (Basilicata Region), that was established in 2000 under the name of *Sviluppo Italia Basilicata S.p.A.*. It became an “*in-house*” company of the Basilicata Region in December 2009, when it took the new denomination at the end of a complex process of

divestment of participations by *Invitalia*, in response to the Law 27 December 2006, no. 296 (law concerning the Italian State Budget for the fiscal year 2007).

- The second company is *InnovaPuglia S.p.A.* (Puglia Region), a “in-house” company of the Puglia Region created on 29 December 2008 from the union of two territorial realities: *Tecnopolis S.c.r.l.* (a Science and Technology Park) and *FinPuglia S.p.A.* (a Regional Financial Institute), that acquired the peripheral unit of *Sviluppo Italia S.p.A.*. These territorial bodies were initially born to offer technical support to Puglia Region in its strategic planning on innovation.
- The last entity mentioned is *Sviluppo Italia Sicilia S.p.A.* (Sicily Region), a company recently acquired by the Sicily Region, under the provision of the Law 27 December 2006, no. 296 (this law was applied to the Italian State Budget for the fiscal year 2007): it works closely with Sicily Region and its planning and regional competitiveness improvement departments.

Comparing data from other research on the issue (Rosselli Foundation, 2010; Buglione, 2007; EAPB, 2008; EAPB, 2011), four more subjects should then be considered; they are: *Sviluppo Italia Campania S.p.A.* (Campania Region); *Ervet S.p.A.* (Emilia Romagna Region); *S.R.G.M. S.c.p.A* (Marche Region) and *S.F.I.R.S. S.p.A.* (Sardegna Region). All these entities have been included in this survey with the exception of *Sviluppo Italia Campania S.p.A.* (Campania Region); the reasons for the choice are explained in the following points:

- the company is still under the control of the *InvItalia S.p.A.*, like *Sviluppo Italia Calabria*, *Sviluppo Italia Sardegna* and *Sviluppo Italia Veneto* (note: *InvItalia S.p.A.* promotes inviting business opportunities and strives for the success of each investment project. It embodies a single and reliable national reference point for foreign investors eager to expand or to set up a new business in Italy by providing a full spectrum of services in all stages of the investment process; more information about *InvItalia S.p.A* are available at: <http://www.invitalia.it/>);
- this entity now is under liquidation.

The significant sample chosen, which in this case should coincide with the full universe of the domestic sector, consists of 19 subjects (see Table 1). A first examination of the selected Regional Financial Institutions concerns the type of company structure chosen, and research has shown that:

- 18 over 19 are structured as S.p.A. (note: S.p.A. – Società per Azioni – in English language is translated as: limited company, or joint-stock company);
- and only one works in the form of S.c.p.A (note: S.c.p.A. – Società cooperativa per Azioni – in English language is translated as: limited cooperative company): the exception is *Società Regionale di Garanzia Marche* (SRGM) S.c.p.A. (Marche Region).

These companies are placed respectively: 42.10% (8 units) in the North Italy; 21.05% (4 units) in the Central Italy and 36.85% (7 units) in the South Italy.

However, the corporate structure analysis of these subjects confirms the primary role in terms of “governance” played by local and regional authorities. Through their presence, they provide support and stimulus to the activities of the chosen subjects.

The analysis on the corporate structure for the 19 subjects, provides the following configuration for the investigated sector (see Table 2):

- Regional shareholding to 100%: 9 cases (*Sviluppo Basilicata*, *FinCalabria*, *Filas*, *FinLombardia*, *FinMolise*, *InnovaPuglia*, *S.F.I.R.S.*, *Sviluppo Sicilia* and *FinAosta*);
- Regional shareholding between 99 and 75 percent of the capital: 5 cases (these cases are: *Ervet*, *FinPiemonte*, *Sviluppo Umbria*, *Friulia* and *Filse*);
- Regional shareholding between 74 and 50 percent of the capital: 2 cases (these cases are: *Fira* and *Veneto Sviluppo*);
- Regional shareholding between 49 and 25 percent of the capital: 1 case (this case is: *Fidi Toscana*);
- Regional shareholding of less than 25 percent of the capital: 2 cases (these cases are: *S.R.G.M.* and *Tecnofin Trentina*).

Table 1. Italian Sector of the Regional Financial Institutions

NO.	REGION MAIN SHAREHOLDER	NAME OF INSTITUTION	LEGAL FORM CHOSEN
No.1	Basilicata	Sviluppo Basilicata	S.p.A.
No.2	Calabria	FinCalabria	S.p.A.
No.3	Lazio	Filas	S.p.A.
No.4	Lombardy	FinLombardia	S.p.A.
No.5	Molise	FinMolise	S.p.A.
No.6	Puglia	InnovaPuglia	S.p.A.
No.7	Sardinia	S.F.I.R.S.	S.p.A.
No.8	Sicily	Sviluppo Italia Sicilia	S.p.A.
No.9	Valle D'Aosta	FinAosta	S.p.A.
No.10	Emilia Romagna	Ervet	S.p.A.
No.11	Piedmont	FinPiemonte	S.p.A.
No.12	Umbria	Sviluppo Umbria	S.p.A.
No.13	Friuli V.G.	Friulia	S.p.A.
No.14	Liguria	Filse	S.p.A.
No.15	Abruzzo	Fira	S.p.A.
No.16	Veneto	Veneto Sviluppo	S.p.A.
No.17	Tuscany	Fidi Toscana	S.p.A.
No.18	Marche	S.R.G.M.	S.c.p.A.
No.19	Trentino	Tecnofin Trentina	S.p.A.

This finding, even if it confirms the primary role played by the regions to provide support and impetus to the subjects, also brings out a diversification in terms of corporate governance. Moreover, further differences in the investigated sector, even stronger than the first one, can be identified in the type of services provided: these services should be supplied on the basis of specific local needs (see Table 3).

The services offered by Regional Financial Institutions are focused on research of the initial funding (the so-called “*equity gap*”) (Harding *et al.*, 2006) or simply access to credit (the so-called “*credit crunch*”) (Peek *et al.*, 1995): these issues on funding

concerns in particular the sector of small and medium enterprises and that of innovation-oriented companies (Scott, 2004).

Table 2. Analysis of the Governance structure

NO.	NAME OF INSTITUTION	OWNERS: PUBLIC ENTITIES					OWNERS: PRIVATE SUBJECTS		TREASURY SHARES	OTHERS	TOTAL VALUES
		REGION	PROVINCE	MUNICIPALITY	CHAMBER OF COMMERCE	OTHERS	BANKS	OTHERS			
No.1	Sviluppo Basilicata	100,00%									100,00%
No.2	FinCalabria	100,00%									100,00%
No.3	Filas	100,00%									100,00%
No.4	FinLombardia	100,00%									100,00%
No.5	FinMolise	100,00%									100,00%
No.6	InnovaPuglia	100,00%									100,00%
No.7	S.F.I.R.S.	100,00%									100,00%
No.8	Sviluppo Italia Sicilia	100,00%									100,00%
No.9	FinAosta	100,00%									100,00%
No.10	Ervet	98,64%				1,36%					100,00%
No.11	FinPiemonte	96,71%	0,92%	0,87%	1,50%						100,00%
No.12	Sviluppo Umbria	92,32%	3,21%	4,11%	0,36%						100,00%
No.13	Friulia	79,30%					15,80%	4,10%	0,80%		100,00%
No.14	Filse	78,07%	9,37%		4,75%			6,63%	1,18%		100,00%
No.15	Fira	51,00%					49,00%				100,00%
No.16	Veneto Sviluppo	51,00%					40,73%	8,27%			100,00%
No.17	Fidi Toscana	39,40%				3,90%	56,70%				100,00%
No.18	S.R.G.M.	=								100,00%	100,00%
No.19	Tecnofin Trentina	=	93,78%						6,22%		100,00%
	AVERAGE VALUES	78,23%	5,65%	0,26%	0,35%	0,28%	8,54%	1,00%	0,43%	5,26%	100,00%

Table 3. Analysis of the services provided

NO.	NAME OF INSTITUTION	SERVICES PROVIDED						
		ADVISORY AND ASSISTANCE	FINANCIAL GRANTS	FUND MANAGEMENT	SHARE ACQUISITIONS	FINANCIAL BROKER	GENERAL PLANNING	RELEASE OF GUARANTEES
No.1	Fira	X		X	X	X		
No.2	Sviluppo Basilicata	X	X	X		X	X	
No.3	FinCalabria	X	X	X				X
No.4	Ervet	X					X	
No.5	Friulia	X	X		X			
No.6	Filas	X	X	X	X			X
No.7	Filse	X		X	X			
No.8	FinLombardia	X		X		X		
No.9	S.R.G.M.	X	X			X		X
No.10	FinMolise	X	X		X			
No.11	FinPiemonte	X	X	X	X			X
No.12	InnovaPuglia	X					X	
No.13	S.F.I.R.S.	X			X	X		
No.14	Sviluppo Italia Sicilia	X						
No.15	Fidi Toscana	X	X	X	X			
No.16	Tecnofin Trentina	X	X		X			
No.17	Sviluppo Umbria	X			X		X	
No.18	FinAosta	X		X	X			
No.19	Veneto Sviluppo	X	X	X	X	X		X

The business activities of the Regional Financial Institutions show a dual profile:

- there is a traditional financial connotation (linked to the provision of financial services for the creation and development of businesses);
- but there is also a focus on innovation, made in a local and international perspective, and due to the provision of a new range of services relating to the promotion, support innovation and competitiveness of the corporate sector.
- The geographical spread of front offices is extremely low (the average value at a regional level is 1.47): there is the need to improve territory coverage, in order to make it easier to support small and medium-sized companies, that - in

most cases - are based in peripheral economic areas, within districts now in crisis or, sometimes, in the process of being phased out. Another critical element in the investigated sector is the user access to the main corporate documents through the company's websites (see Tables 4 and 5).

Table 4. Analysis of the accessibility of the main corporate documents

NO.	NAME OF INSTITUTION	FINANCIAL STATEMENTS	STATUTE OF THE COMPANY	ETHICAL CODE	SOCIAL REPORTING
		PRESENCE	PRESENCE	PRESENCE	PRESENCE
No.1	Fira		X	X	
No.2	Sviluppo Basilicata	X	X		
No.3	FinCalabria		X		
No.4	Ervet		X		
No.5	Friulia	X	X		
No.6	Filas			X	
No.7	Filse	X		X	
No.8	FinLombardia		X		
No.9	S.R.G.M.	X	X		
No.10	FinMolise	X		X	
No.11	FinPiemonte	X	X	X	X
No.12	InnovaPuglia				
No.13	S.F.I.R.S.		X		
No.14	Sviluppo Italia Sicilia		X	X	
No.15	Fidi Toscana	X		X	X
No.16	Tecnofin Trentino	X	X		
No.17	Sviluppo Umbria		X		X
No.18	FinAosta	X		X	
No.19	Veneto Sviluppo	X	X	X	
	TOTAL IN ABSOLUTE VALUE	10	13	9	3
	TOTAL IN RELATIVE VALUE	52,63%	68,42%	47,37%	15,79%

Table 5. Analysis of the accessibility of the financial statements

NO.	NAME OF INSTITUTION	FISCAL YEARS AVAILABLE	ANNUAL FINANCIAL STATEMENT			CONSOLIDATED FINANCIAL STATEMENT		
			ITALIAN GAAPs	IAS/IFRS	FINANCIAL ENTITIES	ITALIAN GAAPs	IAS/IFRS	FINANCIAL ENTITIES
No.1	Fira							
No.2	Sviluppo Basilicata	2009			X			
No.3	FinCalabria							
No.4	Ervet							
No.5	Friulia	2009/2010	X			X		
No.6	Filas							
No.7	Filse	2009-2010			X			
No.8	FinLombardia							
No.9	S.R.G.M.	2008-2010		X				
No.10	FinMolise	1999-2010		X			X	
No.11	FinPiemonte	2006-2010			X			X
No.12	InnovaPuglia							
No.13	S.F.I.R.S.							
No.14	Sviluppo Italia Sicilia							
No.15	Fidi Toscana	2001-2010		X				
No.16	Tecnofin Trentino	2007-2010	X					
No.17	Sviluppo Umbria							
No.18	FinAosta	2008-2010		X			X	
No.19	Veneto Sviluppo	2006-2010		X				
	TOTAL IN ABSOLUTE VALUE		2	5	3	1	2	1
	TOTAL IN RELATIVE VALUE		10,53%	26,32%	15,79%	5,26%	10,53%	5,26%

About the availability of the main corporate documents on the web sites, the research has demonstrated that: while the articles of association is made available in 13 websites (68.42%), the code of ethics is present only in 9 cases (47.36%). A further critical aspect that emerges concerns the availability of the financial documents (Financial Statement and/or Consolidated Financial Statement).

Specifically the Financial Statement was available online only in 10 cases (52.63%) and the presence of a Social Report (or Sustainability Report) is even lower: only 3 companies (15.79%) uploaded it. Moreover the structure of these financial documents is not homogeneous: there are different sets of rules used by the companies depending on the services provided.

The different set of rules – regarding the structure of the annual reports – are:

- Italian GAAPs: this structure is required by Article 2423 of the Italian Civil Code (and by the subsequent articles);
- Structure conforms to specific Italian rules for the annual accounts of Financial Institutions: rules provided under the Legislative Decree 27 January 1992, no. 87, the Decree of the Ministry of the Treasury no. 435.830 (dated 24 June 1992) and the Provision of Bank of Italy (dated 31 July 1992);
- IAS/IFRS structure: patterns introduced by Legislative Decree 28 February 2005, no. 38, in according to the provisions of EU Regulation 1606/2002, the Bank of Italy Act (dated 16 December 2009) and the Legislative Decree 2 February 2007, no. 32, with which has been given partial implementation of the EU Directive n. 51/2003.

About the availability of these documents, the research has shown the following results.

- Annual Financial Statement. There were available on line only 10 cases, so articulated: Italian GAAPs (2 cases); Structure conforms to specific Italian rules for the annual accounts of Financial Institutions (3 cases); IAS/IFRS structure (5 cases).
- Consolidated Financial Statement. There were available on line only 4 cases, so articulated: Italian GAAPs (1 case); Structure conforms to specific Italian rules for the annual accounts of Financial Institutions (1 case); IAS/IFRS structure (2 cases).

The critical issue concerning the low availability of financial statements is closely related to the concept of “*transparency*” applied to the public management, which therefore is primarily tied to the right of access to information of citizens (Zinnbauer, 2003; Stirton and Lodge, 2001). This principle makes it possible to state a final conclusion related to the public sector, but also applicable to the case of Regional Financial Institutions, since these companies have been defined – in the previous pages – as “(...) *a financial tool having public targets operating with private techniques* (...)” (Mauro, 1980) or rather “(...) *tools for the implementation of the regional economic planning* (...)” (Predieri, 1972).

This final consideration is drawn in accordance to the right of access to information already established by the Italian Law 7 June 2000, no. 150 (Law on “*Discipline of the information and communication activities of public administrations*”), which states the three most important rights regarding the information for the citizen: “(...) *the right to inform, the right to be informed and the right to seek information* (...)” (Tanese, 2004).

DISCUSSION AND CONCLUSIONS

The conclusions of this work have already been partly anticipated in the comments on the empirical research presented in the previous paragraph, to which the reader should refer: further conclusions aim to correlate the evaluated subject to the doctrinal profiles of innovation and corporate durability (so-called “*going concern*” principle, with reference to IAS no. 1 “*Presentation of Financial Statements*”), relevant to the recipients of the activities carried out by Regional Financial Institution.

From this point of view, Business Administration research has tried to outline – over time and systematically – the interdependence profiles between the variable of innovation and that of corporate durability: this has led to the formulation of the assumption, widely accepted by the scientific community, that the corporate performance appears to be related to the innovation approach pursued by the company itself (Florescu, 2008).

Business innovation and competitive dynamics also appear to be more and more related in current market globalization processes (Pollifroni, 2006), where the ability to innovate, research and create knowledge, are commonly considered essential tools for the formulation of a business model oriented to international competition and to a responsible and sustainable development (European Commission, 2008).

Especially in a long-term vision an approach oriented to innovation becomes a strategic driver of economic development and the related financial support should be characterized by continuous and systematic actions.

Furthermore the current domestic and international economic situation, which is bringing about significant structural changes in business dynamics in all the economic sectors (Stock *et al.*, 2005), should lead the Business Economics to a deep reflection on how the ability to innovate has been conceptualized, interpreted, and, above all, financially sustained by local public financial policies.

Starting from this point of view, Regional Financial Institutions have assumed a strategic role: these subjects have represented a business model characterized by specificity and uniqueness, especially if compared to the homogeneity that characterizes the traditional financial sector (Green *et al.*, 2003).

The original complex and public nature of the Regional Financial Institutions, which were born in the Seventies as operative local bodies thanks to specific projects on regional planning (Hall *et al.*, 2010), was over time replaced by private business models, more sensitive to the market economy and to the current processes of globalization, mentioned above: the most important objective of this contribute is to propose - through a comparative analysis of the underlying referential sector - a review of the Regional Financial Institution’s business model.

The research has shown that Regional Financial Institutions could provide a regional strategic sector in the current crisis, but characterized by the presence of actors with multiple elements of heterogeneity (for example in terms of “*mission*”, “*governance*” and nature of the several services provided, etc.): proposals to resolving critical issues highlighted above, are explained in the following points.

The first proposal – that aims at maintaining the current industry structure – concerns the strengthening of the local offer of the service (as specified before, the geographical spread of front offices – at regional level – has the average value of 1.47 and this value is very low): this could be possible by the synergic use of the networks (in terms of facilities and personnel) already present in the territory and offered, for example, by the system of the Chambers of Commerce, or by the regional public offices located at a local level (with at least one office in every Province).

The second proposal concerns the current sector structure into question. Being oriented to a true upturn of national public finances, it would address the following issues concerning the Regional Financial Institutions:

- creation of a single legal subject, in the legal status of “*Public Agency*” (instead of many separate subjects) (Bardach, 1998; Levinthal, 1988; Pollitt *et al.*, 2004);
- resulting placement of the current actors in the new subject, where they would assume the configuration of autonomous management units, with their own budget and their own treasury relationships with the regional referential bodies (Talbot *et al.*, 2010).

The proposal offers several advantages concerning the management of the local public institution and this is evident in terms of:

- cost containment of the overall structure (Manea, 2007),
- greater effectiveness and efficiency,
- greater geographical spread of services provided,
- greater control of financial flows,
- containment of public spending,
- greater transparency in public management (Hood, 1991; Ionescu, 2008).

The proposed model, regarding the centralization of public financial services, also allows the optimization of the spending review policies (Kneller, 2000).

The hope is that the empirical analysis on the Regional Financial Institutions – and their underlying referential sector – could lead to a reassessment of the role played by these entities both in the current economic situation and in a long term perspective: the final purpose of this paper is to stimulate the interest in the Regional Financial Institution’s business model in order to increase the maturity of the scientific analysis on this topic.

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